

The Business Plan

Know and understand the parts of
a retail business plan



- The **business plan** is a document that describes all aspects of the business.
 - Necessary for any new business seeking business loans or investors
 - Provides banks and investors with detailed financial information, including projected income and expenses
 - Summarizes all of the ideas for the business and formulates them into concise goals and objectives
 - Can serve as a blueprint for operating and expanding the business

➤ The business plan contains three main elements

- A proposed business situation or detailed description
- An organizational and marketing plan
- A financial plan

Proposed Business Situation

- This section is where the type of business is described and the business situation is analyzed. It should include
 - **Type of business** – gives a description of the business, as well as the reason why you would want to open this type of business
 - **Business philosophy** – outlines the beliefs about how the business will be operated
 - **Type of Products** – information about the various product lines to be offered
 - **Self-Analysis** – outlines the proposed business owner's education, training, work experience, strengths, and weaknesses.
 - **Trading Area Analysis** – includes geographic, demographic, and economic information about the population in which the proposed business will operate
 - **Market Segment Analysis** – defines your target market based on geographic, demographic, and economic information
 - **Analysis of Potential Locations** – determines the best location for your store based on the target market and competition

Organizational and Marketing Plan

- **The Organizational Section** describes how the business will be organized. It includes
 - **Type of Ownership** – must determine what type of ownership you will use
 - Sole proprietorship – business owned and operated by one person
 - Partnership – business owned and operated by two or more people
 - Corporation – a business that operates separately from its owners

➤ **Start-up Steps** – vary based on the form of business ownership chosen.

- Sole proprietorship and partnerships should
 - Determine a name for the business
 - File a Doing Business As (DBA) form with the local government
 - Obtain necessary licenses or permits before opening
- Corporations should
 - Work closely with a lawyer to legally set up the business

➤ **Planned Personnel** – a description of the employees needed for the business, as well as a detailed **job description** (a written statement that defines the particular requirements of a job.)

- The **Proposed Marketing Plan** is used to define the marketing plan and the pricing policies for the business
 - **Pricing Policies** – can determine whether a business will succeed or fail. Finding the right price to charge is the key to business success. A business should consider
 - Cost of the merchandise
 - Operating expenses of the business
 - Competition
 - Supply and demand
 - Amount of desired profit
 - **Promotional Activities** – should center on the four elements of the promotional mix – advertising, sales promotion, public relations and personal selling
 - When making a plan you should consider activities that will reach the largest number of people in your target market
 - Promotional activities should be used to inform people about the business and persuade them to shop at the business

Financial Plan

- **The Financial Plan** includes information important to lenders or investors about the money needed to start the business and about the sources of capital, projected income and expenses, and repayment plans.

➤ Sources of Capital – **Capital** is the money needed to finance the businesses operations. Can be

- Personal Savings
- Money borrowed from friends or relatives
- Money borrowed from banks
- Money from outside investors

➤ Financial plans should include

- Projected Income and Expenses for the first year of business
 - Should be realistic
 - New businesses rarely experience immediate financial success
- Repayment Plan – outlines how long it will take the business to pay back its start-up loans